

March 24th, 2025

Delivered By Email:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety,
Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of Securities
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Nunavut

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Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment – Proposed Amendments to National Instrument 23-101 Trading Rules and Proposed Changes to Companion Policy 23-101 Trading Rules

Background

BMO Capital Markets¹ (“BMO”) is responding to the CSA Notice and Request for Comment – Proposed Amendments to National Instrument 23-101 Trading Rules and Proposed Changes to Companion Policy 23-101 Trading Rules.

On September 18, 2024, SEC adopted its final rules with respect to the SEC Tick Size Proposal and the SEC Trading Fee Proposal. With respect to the SEC Trading Fee Proposal, for securities priced USD 1.00 or more, the U.S. access fee cap will be lowered to USD 0.001 per share. For U.S. securities priced less than USD 1.00, the U.S. access fee cap will be 0.1% of the quotation price. On December 12, 2024, the SEC announced an order granting a partial stay on the implementation of the rules pending judicial review of the proposals by the United States Court of Appeals for the District of Columbia Circuit.

The U.S. Securities and Exchange Commission’s rule changes, if implemented, will inevitably affect Canadian equity markets due to the deep integration of financial systems between the two countries. However, predicting the precise impact on U.S. markets is challenging, and forecasting the ripple effects on Canadian markets is even harder. Given the interconnected nature and structural differences between the two markets, BMO’s view is that continued harmonization of tick sizes and access fees for interlisted securities will ensure US and Canadian markets continue to operate in a fair, orderly, and efficient manner for the benefit of all market participants.

Harmonizing Fees for Interlisted Securities

Access fees ultimately drive liquidity and rebate incentives. Caps on access fees are in effect a cap on rebates that can be given in any market. Historically² the Canadian regulators have separated access fee cap regulations for non-interlisted versus interlisted fees to maintain comparable liquidity incentive structures across both markets.

In 2017³ the Canadian regulators lowered access fee caps for non interlisted securities. However, they recognized the potential impact to liquidity if access fee caps for interlisted securities were lowered in Canada but remained higher in the US. Specifically, OSC cited concerns “about the potential negative

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² <https://www.osc.ca/en/securities-law/instruments-rules-policies/2/23-101/csa-notice-approval-amendments-national-instrument-23-101-trading-rules-and-companion-policy-23-0>

³ <https://www.osc.ca/en/securities-law/instruments-rules-policies/2/23-101/csa-notice-approval-amendments-national-instrument-23-101-trading-rules-and-companion-policy-23-0>

consequences for the Canadian market from establishing a trading fee cap for Inter-listed Securities that is significantly different than comparable regulatory requirements in the U.S.”⁴ We agree with the concerns stated in 2017 that differing access fees and, in turn, rebates across the Canadian and US markets could have negatively impacted liquidity. For that same reason we believe continued harmonization of access fees, in response to potentially lower US access fee caps, is warranted.

However well-intentioned foreign exchange adjusted access fee caps are as an idea, we believe regulators in the US and Canadian markets should not create materially different liquidity incentives for interlisted securities. We recommend continued harmonization of interlisted access fees, specifically should the US markets begin capping access fees at USD \$0.0010 per share, the Canadian markets should mirror and cap interlisted access fees at CAD \$0.0010.

Similarly, if the SEC adopts more granular tick sizes for interlisted securities the Canadian regulators should consider harmonizing tick sizes for the affected securities to maintain parity with the US in quoted spread, incentive structures, and overall liquidity competitiveness.

Generally, limits on trading fee should be harmonized with the US markets, whether limits are applied to fees to remove liquidity or fees to provide liquidity. While the overall level of fees is important, it is equally important that the fee and tick size incentives, which drive market quality and market share, remain on parity across Canadian and US markets for interlisted securities.

Conclusion

The SEC’s rule changes to tick sizes and access fees are a significant regulatory shift with long-term commercial and liquidity implications for the U.S. equity markets. US policy changes that impact interlisted securities necessitate a response to ensure US and Canadian markets continue to operate in a fair, orderly, and efficient manner for the benefit of all market participants. It would be prudent for CSA to harmonize its regulation on access fees and where applicable tick sizes with the SEC for those interlisted securities impacted by U.S. policy changes.

Sincerely,

“Eric Stockland”

Eric Stockland
Managing Director, Global Markets
BMO Capital Markets

“Grant McLaughlin”

Grant McLaughlin
Managing Director, Global Markets
BMO Capital Markets

“Antonio Trillo”

Antonio Trillo
Managing Director, Global Markets
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⁴ <https://www.osc.ca/en/securities-law/instruments-rules-policies/2/23-101/csa-notice-approval-amendments-national-instrument-23-101-trading-rules-and-companion-policy-23-0>